

FOREIGN POLICY ASSOCIATION

Information Service

Fact data on international questions for reference use

VOL. II—No. 25

FEBRUARY 16, 1927

CONTENTS

	Page
Foreign Population and Extent of Foreign Investments in China	304
Statistics Relating to the Foreign Trade of China	305
Foreign Concessions, International Settlements and Leased Territories in China	306
Administration of the International Settlement at Shanghai	307
First Treaties Between China and Foreign Powers	308
Treaties Containing "Most Favored Nation" Clause	308
Provisions of the Boxer Protocol of 1901	310
Treaty Provisions for Extraterritorial Reform	311
Agreements Resulting from the Washington Conference, 1921-22	311
Chinese Customs Conference and Commission on Extraterritoriality	312
Chinese Protests Against Existing Treaties with Foreign Powers	314
Past and Present Policy of Principal Foreign Powers	314
Table of Principal Foreign Interests in China	Annex I 317

Published bi-weekly by the Research Department of the FOREIGN POLICY ASSOCIATION, 18 East 41st St., New York, N. Y.
JAMES G. McDONALD, *Chairman*; Subscription Rates: \$5.00 per year; to F. P. A. Members, \$3.00; Single Copies, 25c.

Foreign Interests in China

IMPORTANT developments affecting the basis of China's relations with foreign powers have followed the rise of the southern Nationalist government of China and the threatened attack of the southern armies, led by Marshal Chang Kai-shek, on Shanghai, the principal center of foreign interests in China. During recent weeks, each of the Powers with important interests in the Far East has redefined its policies and made new pronouncements significant of the changed status of the Chinese situation.

Some observers hold that the present disturbances in China are primarily the result of the impact of western civilization on the ancient civilization of China, a civilization which had its well defined beginnings more than 5,000 years ago. The Chinese have had contacts with the West from the early years of the Roman Empire, but it was not until the end of the eighteenth and the beginning of the nineteenth centuries that continuous and increasingly close contacts were established between China and the nations of the West. As a result of the development of steamships,

railways, cables, and other means of communication, the barriers between the East and the West have been so much reduced in recent decades that new ideas, new ways of doing things, new points of view, have been pouring into China from the West. The result has been a shake-up in China, which has seriously affected the old standards of living and has done much to force the Chinese people out of their traditional ways of living and thinking.

A recent issue of the *Information Service** reviewed in general terms the present internal situation in China and the factors contributing to the civil war. This report deals briefly with the more important aspects of western contacts with China as they relate particularly to the present situation in that country.

Four questions are frequently raised in connection with the position of foreigners in China:

1. What interests have foreigners acquired in China, in the commercial and in the missionary and cultural fields?

* Factors in the Internal Situation in China, Vol. II, No. 23, January 19, 1927.

2. On what treaty or other basis do foreigners live and carry on their occupations in China?
3. What has been the Chinese reaction to these treaties and the creation of foreign interests?
4. What policy have the foreign Powers adopted in dealing with China?

An exhaustive analysis of the points raised in these questions is clearly beyond the limited scope of this report. It is possible, however, to indicate with some precision the nature and extent of foreign interests, the origin and present status of treaty relations, and the present attitude of both the Chinese and the principal foreign Powers. Before reviewing these larger questions, however, it may be useful to present certain statistics on the present foreign population in China and the extent of foreign investments and foreign trade with China.

FOREIGN POPULATION OF CHINA

The total number of foreigners of all nationalities resident in China is estimated roughly at from 320,000 to 325,000. The figure given by the Customs Administration for 1924 was 320,829, divided by nationalities as follows:

Japanese	198,206
(Considerably more than half of the Japanese population is in Manchuria.)	
Russians	85,766
(A large proportion are Russian refugees who migrated to China following the Bolshevik revolution.)	
British	14,701
Americans	8,817
(Information given by the State Department puts the figure at approximately 12,000 at the end of 1926.)	
Portuguese	3,657
Germans	2,733
French	2,715

The remainder represents small numbers of Italians, Austrians, Belgians, Spaniards, and nationals of many other foreign powers.

There is reason to believe that the Customs estimate given above is too low rather than too high, particularly in the case of Japanese and American residents in China. During the past two years there has been some increase in the number of Americans (but not enough to explain the difference between the Customs and the State Department figures)

and a marked increase in the number of Germans living in China. The Russian population has probably fallen off since 1924 due to the return of some of the refugees to Russian territory.

The total Chinese population can only be estimated. In 1924 the Customs Administration put the total population of China at 444,653,000. Of this number, 10,277,000, or approximately two and a half per cent, lived in the treaty ports and thus came most directly in contact with foreigners. A very large proportion of the foreigners, however, are centered in the principal treaty ports and commercial cities. For example, some 40,000 foreigners live in the International Settlement at Shanghai.

FOREIGN INVESTMENTS IN CHINA

No reliable figures are available as to the total amount of foreign investment in China. Various estimates put the figure at between \$2,000,000,000 and \$2,500,000,000, not including Hongkong. The Japanese investment is by far the largest, with the British second. The American investment is approximately \$70,000,000 in commercial undertakings, and \$80,000,000 in missionary enterprises, schools, hospitals, etc. Foreign firms and business enterprises in China are divided between the different nationalities approximately in the order of their population in China. Customs estimates for 1924 place the number of Japanese firms at 4,278; the number of Russian at 934; British firms at 726, and American at 470. State Department figures indicate that there are approximately 600 American firms established in China.

Commercial enterprises form much the largest part of foreign investments in China except in the case of American interests. They include land and buildings, etc., at Shanghai, Tientsin, Hankow and other treaty ports; ships and shipping facilities for coastwise and river trade; railway, telegraph and telephone investments, and advances in railway equipment; factory buildings and equipment for various industrial enterprises; secured and unsecured loans to the Chinese Government. The Japanese own

and operate the South Manchurian railway; the Russians own and operate the Chinese Eastern Railway, while the French have a short railway line in Yunnan province. Practically all of the other railways in China nominally belong to the Chinese Government, but some of them are under partial foreign control pending the repayment of the loans

made for construction. The same is true of the telegraph system.

The total value of Chinese foreign trade for 1926, including both imports and exports, was a little over \$1,500,000,000. Detailed figures for 1926, however, are not available. The latest complete figures are for 1924, and are as follows*:

Foreign Trade	1915	1924	Increase
Imports	\$357,799,500	\$779,825,000	119%
Exports:			
Chinese produce	\$314,275,000	\$578,855,000	84%
Foreign produce	16,942,500	15,767,500	7% decrease
Total exports	\$331,217,500	\$594,622,500	80% increase
Total trade, Imports and Exports	\$689,017,000	\$1,373,947,500	100%

It will be noted from the above table that the proportion of the total exports covered by native Chinese products increased from 94 per cent to 97 per cent between 1915 and 1924, while during the same period, the per-

centage of foreign produce decreased from 6 per cent to 3 per cent.

The share of the leading foreign countries in Chinese trade, as given in the customs returns for 1920 and 1924, is as follows:

Country	1920	1924	Amount	Increase
British Empire (inc. Hongkong)	\$403,816,000	\$501,675,000	\$97,858,000	24%
Japan and Korea	303,525,000	358,725,000	55,180,000	18%
United States and Philippines .	160,900,000	224,475,000	64,575,000	40%
France	19,355,000	41,700,000	22,450,000	115%
Germany	5,400,000	39,950,000	35,480,000	658%
Italy	4,350,000	11,400,000	7,054,000	162%

In connection with these figures it should be noted that practically all of the Hongkong trade consists of goods imported and immediately re-exported; there is very little actual consumption and production of goods in the

small territory of Hongkong itself. If the Hongkong trade is excluded in computing the share of the principal nations, their relative position is altered as follows:

Country	1920	1924	Amount	Increase
Japan	\$303,525,000	\$358,725,000	\$55,180,000	18%
United States	160,900,000	224,475,000	64,575,000	40%
British Empire	181,955,000	188,925,000	6,884,000	4%
Hongkong	221,775,000	312,750,000	90,975,000	41%

This comparison of the division of foreign trade by countries is brought out more clearly in the following tables. The first gives the percentage of total foreign trade by countries, including Hongkong, while the second table excludes the Hongkong trade from both the total foreign trade and from British trade:

Per cent of total foreign trade in 1924—
(Hongkong in 1924 had 23% of total foreign trade).

Britain, including Hongkong	37%
Japan	27%
United States	17%
France	3%
Germany	3%
Miscellaneous	13%
	100%

* China Year Book, 1926, p. 247 et seq.

Per cent of foreign trade in 1924—
(excluding Hongkong from totals).

Japan	35%
United States	21%
British Empire	19%
France	4%
Germany	4%
Miscellaneous	17%
	<hr/> 100%

This distinction is important because of the fact that the Inspector General of Customs, while an employee of the Chinese government, has always been by agreement a national of the country with the largest direct trade with China. The British maintain their claim to have a British national as the Inspector General of Customs on the ground that the trade through Hongkong, a British possession, counts as British trade.

Although the total foreign trade fell off slightly during 1925, it showed a marked increase in 1926 despite the uncertain internal conditions caused by the civil war and the anti-British boycott at Canton. This increase was equal to more than one-fourth of the total trade in 1915.

FOREIGN MISSIONARY INVESTMENTS

Investments in Protestant missionary enterprises have been made in large part by American and British church groups. The American investment, which is considerably larger than the British, consists of mission residence compounds in various parts of China, a number of high school and college grade educational institutions, and medical institutions, including the Rockefeller Foundation's Peking Union Medical College, in which the Foundation has invested approximately seven million dollars. American Protestant missionary bodies maintain seventeen schools for higher education, among which are: Canton Christian College, Central China University, Fukien Christian University, University of Nanking, Shanghai College and Yale in China.

The Catholic investment in China is somewhat larger than the Protestant. The French Government, with only the partial consent of the Pope, has taken upon itself the right to extend such diplomatic protection as may be

necessary for Catholic activities in China. The Catholic Church has a large number of monasteries and convents and carries on extensive educational work in various parts of China.

CONCESSIONS, SETTLEMENTS AND LEASED TERRITORIES

The distinction between the various areas set aside for the use of foreigners in China and the territory owned outright or leased by foreign Powers is frequently a cause of confusion. The territories owned outright by foreign Powers are legally as integral a part of those Powers as any section of the country itself. Thus Hongkong, ceded to Great Britain in 1842, is as much a part of the British Empire as Gibraltar. Macao, the Portuguese possession in South China, was given to Portugal "for perpetual inalienable occupation" and has the same status as Hongkong.

The leased territories likewise belong to the country holding the lease and are administered as parts of the territory of that country, with certain modifications of the administrative regulations to meet local conditions and to provide for the use of Chinese law and custom in legal cases in which Chinese are concerned on both sides. The principal leased territories are those acquired by Japan at Dairen on the Liaotung Peninsula in 1905; those acquired by Great Britain at Weihaiwei and Kowloon, opposite Hongkong, in 1898; and the French territory at Kwangchowwan, leased in 1898.

The international settlements, the concessions and the treaty ports, are Chinese territory and do not belong to the foreign Powers. Foreigners living in these areas enjoy the same extraterritorial privileges to which they are entitled elsewhere in China, and Chinese are under the jurisdiction of Chinese courts. Nevertheless, the concessions and settlements are governed and policed by the foreigners, and the Chinese have no voice in local administrative affairs. Although the terms are often used as synonymous, there is a marked difference between international settlements, concessions, and treaty ports.

In the international settlements, of which Shanghai is a typical example, the land which is delimited by boundary lines remains upon the register of the Chinese land office and the Chinese are not disturbed in the possession of any property they may have in the area. Foreigners may obtain perpetual leases, but cannot acquire permanent ownership of the land. In concessions, on the other hand, the entire area is leased to a foreign Power and an annual land tax is paid by the Power to the Chinese government. Foreigners obtain leases to the land within the area from the consular authority of the Power holding the concession. The foreign residential areas at Hankow are typical concessions. In some of the larger Chinese cities there are frequently two or more concessions.

In most of the treaty ports there is no separately organized and administered foreign settlement. Foreigners living in the treaty ports naturally concentrate in one part of the city, but they have no separate foreign municipal administration.

At Shanghai there are two principal foreign settlements: the so-called International Settlement, the administration of which is chiefly in British hands; and the French Settlement, which is entirely under French control.

THE INTERNATIONAL SETTLEMENT AT SHANGHAI

The International Settlement is administered by a Municipal Council, the members of which are elected by the foreign taxpayers of the area. The Council is under the supervision of the foreign consuls at Shanghai who in turn are under the foreign heads of legations at Peking. The majority of the Council has always been British, due to the fact that British subjects hold a majority of the foreign property in Shanghai. The Council elects its own Chairman, who for the last few years has been an American lawyer of the city. The executive work in the administration of the settlement is carried out by the Secretary to the Council who has been a British subject since the Council was organized.

Although the Chinese property holders in the International Settlement pay the bulk of the taxes, they have no voice in the election of the Council, nor in the administration of the area. The policing of the settlement, sanitary measures, a certain amount of public education, etc., are under the control of the Council, but administered by the Secretary. In some respects the system at Shanghai resembles the City Manager system adopted in some American cities, with the Manager (the Secretary of the Council) responsible to an elected board. The members of the Shanghai Council, however, are elected at large instead of by districts.

The French settlement of Shanghai has a Municipal Council, the members of which are elected at large by the foreign taxpayers. The Council has little authority, however, the real control of the settlement being in the hands of the French Consul-General at Shanghai, who is subject to the French Minister in Peking. The Chinese have no vote in the French settlement, although here also they pay considerably more than half of the taxes.

The only other similarly organized international settlement is located at Amoy. Residential areas have been set aside at Changsha, Nanking, Hangchow, Soochow and several northern ports and the 49 treaty ports.

Foreign concessions are administered by Great Britain, France and Japan at Hankow; by Great Britain and France at Canton; by Japan at Chungkin; and by all three of these Powers at several lower Yangtze and northern ports. A full list of the concessions administered by the various foreign Powers is found on the large table on page 317.

PEKING LEGATION QUARTER

The Legation Quarter at Peking is neither an international settlement in the usual sense of the word, nor a concession. It is administered by the Diplomatic Corps acting as an administrative council, with the real authority in the hands of the group of Ministers who represent countries still exercising rights under the Boxer Protocol.

FIRST TREATIES WITH FOREIGN POWERS

China first entered into treaty relations with a foreign power in 1689 when an agreement was concluded with Russia providing a basis for trade relations. Unlike the later treaties providing extraterritorial rights a clause in this treaty stipulated that Chinese in Russia, as well as Russians in China who violated the laws of the country in which they were residing were to be turned over to the authorities of their native country.

It was not until the middle of the nineteenth century, however, that China entered into treaties which established the position of foreigners in the country. The first formal treaty of modern times was that signed at Nanking on August 29, 1842, following the Opium War between Great Britain and China. Although there had been considerable trade with foreigners prior to this time, it had not been formally recognized by the Imperial Government and foreign traders had no legal standing. Dr. W. W. Willoughby, in his "Foreign Rights and Interests in China," says in relation to the Treaty of Nanking:

"This treaty of August 29, 1842, signed at Nanking, is of importance not simply as a commercial agreement, but as containing features which, since that time, have characterized the general rights of foreigners resident in China: the establishment of 'treaty ports,' the creation of residential 'settlements' or 'concessions' at these ports, the granting of extraterritorial rights to foreigners, and the imposition by treaties of limitations upon the freedom of China to fix customs dues according to her own fiscal needs or domestic commercial policy."

By the terms of the treaty foreigners were allowed to reside in five treaty ports (Canton, Shanghai, Foochow, Amoy and Ningpo), and consular officials were to be appointed. The Chinese Government was also to provide a definite schedule of customs duties and there was an understanding that the rates then fixed were not to be increased. The five per cent *ad valorem* rate agreed upon was based roughly on the average rates previously collected by the Chinese. This denial of Chinese tariff autonomy has been one of the principal causes of dissatisfaction among the Chinese, particularly because the difficulty of tariff revision, coupled with a rise in the general price level, has made it

difficult to collect even an effective five per cent.

MOST FAVORED NATION CLAUSE

Another Sino-British treaty, signed in 1843, provided that the nationals of other countries who had previously traded at Canton might trade at the five ports on the same terms as the British. This latter clause continued:

"that should the Emperor hereafter, from any cause whatever, be pleased to grant additional privileges, or immunities, to any of the subjects or citizens of such foreign countries, the same privileges and immunities will be extended to, and enjoyed by, British subjects . . ."

This last clause, known as the "most favored nation" clause, was included in one form or another in practically all of the treaties signed by China at the time, including the United States. The clause grants benefits to the foreign Powers without corresponding benefits to China.

Although the first treaty with Great Britain did not specifically provide extraterritorial rights in China, Willoughby states that "it was clear that it was the understanding of those who negotiated the treaty that extraterritorial rights should be enjoyed by English trade and residents in China."

The first treaty between the United States and China, signed on July 3, 1844 at Wanghia, included specific provisions for extraterritorial jurisdiction over Americans in China. Articles 21 and 25 provided that subjects of China, guilty of criminal acts toward citizens of the United States should be punished by the Chinese authorities according to Chinese law, while citizens of the United States committing any crime in China should be punished only by the consul, or other American functionary, according to the laws of the United States. The other provisions of this treaty corresponded closely with those concluded by the British.

The next important step in the development of treaty relations with foreigners came in 1858, when the United States and Great Britain concluded the Tientsin treaties, which among other things prohibited interference by the Chinese authorities with the preaching of Christianity. The American treaty of that year contains the following clause:

"The principles of the Christian religion, as professed by the Protestant and Roman Catholic Churches, are recognized as teaching men to do good, and to do to others as they would have others do to them. Hereafter, those who quietly profess and teach these doctrines shall not be harassed or persecuted on account of their faith. Any persons, whether citizens of the United States or Chinese converts, who according to these tenets teach and practice the principles of Christianity, shall in no case be interfered with or molested."

Missionaries were also given the right to carry on their work outside the treaty ports. Similar treaties were signed by France and Russia later in the same year.

The Tientsin treaties were the first which provided for the presence and continued residence in Peking of regular diplomatic representatives from the treaty powers. They were important because they involved for the first time a recognition by the Chinese Government of the equality of foreign governments. Incidentally, recognition of foreign equality profoundly influenced Chinese political conceptions. Prior to that time Chinese political life had been built on the assumption that the Emperor was inviolable and that his authority was supreme, not only over China, but also over all other nations. The recognition of equality of foreign rulers with the Emperor of China meant the destruction of this keystone of Chinese political organization. Foreign action in forcing recognition of such equality had an important effect in disturbing Chinese national life. In view of the fact that the Chinese are now demanding equality of treatment from foreigners, it is interesting to note that westerners had been in China more than half a century before they were able to secure treaties granting them equality with the Chinese.

RESULTS OF SINO-JAPANESE WAR

The next important crisis in Chinese foreign relations came between the years 1894 and 1898. Prior to this time Japan had taken no active part in international affairs in China. In 1894, however, the Sino-Japanese War started. Japan emerged the victor and in the Shimonoseki Treaty, signed April 17, 1895, not only secured Formosa and the Liaotung Peninsula (the peninsula at the end of which Port Arthur is situated) but added

to the rights of foreign merchants in China. New treaty ports were opened and the right to navigation in the Upper Yangtze River was secured. By the terms of this treaty, also, Japanese subjects purchasing goods in the interior were given the right temporarily to rent storage buildings without the payment of taxes; Japanese were permitted to engage in manufacturing of all kinds in the open ports and to import machinery, paying only the regular tariff duties; and articles manufactured by Japanese subjects in China were in all respects to "stand upon the same footing and enjoy the same privileges and exemptions as merchandise imported by Japanese subjects into China."

Inasmuch as the treaties with practically all the other foreign countries included the "most favored nation" clause, the rights granted to Japan were automatically extended to the other nations. On the basis of these treaty provisions, foreigners have developed manufacturing enterprises in China, and have taken the position in many cases that such enterprises (and foreign owned goods being transported through China) were not subject even to the taxes regularly collected from the Chinese themselves engaged in similar enterprises. This exemption from the "likin," or tax on goods in inland transit, was later regularized by the payment at the treaty ports of a two and one-half per cent "transit tax" on imported goods. Payment of this tax was supposed to exempt the goods from any further taxation within China.

FOREIGN COMPETITION FOR "SPHERES OF INFLUENCE"

In the years immediately following the Sino-Japanese War, the other Powers engaged in a race for control of important strategic points on the coast of China and for "spheres of influence." Russian, German and French pressure forced Japan to give up the Liaotung peninsula, which was leased to Russia in 1898. Russia was also given the right to construct the Chinese Eastern Railway. Britain secured a foothold on the Northern side of the Shantung Peninsula at Weihaiwei in 1898 and France secured the lease of Kwangchowwan in the south near the Indo-China border in the same year. Germany got Tsingtao, in Shantung.

While the United States did not participate in the scramble for territory in China, it acquired its first interest in the Far East at this time when it took over the Philippines following the Spanish-American war. Nor was the United States unaware of what was taking place in China. In 1898 Secretary of State Hay asserted the principle of the "Open Door" in China, stating that foreign nations were to have equality of opportunity in all parts of that country and that there was to be no attempt to partition China among the European Powers and Japan. During the years immediately following no serious attempt was made to divide China among the foreign Powers.

PROVISIONS OF THE BOXER PROTOCOL

Although the European Powers did not materially extend their control in China after 1900, Japan secured important concessions in Manchuria in 1905 following the Russo-Japanese war, and in Shantung in 1915 during the World War. The Boxer Protocol of 1901, however, gave the "Treaty Powers"* jointly the right to occupy and fortify a section of Peking, since known as the Legation Quarter and granted to each of the signatories the right to maintain an armed guard within the quarter. It also gave the Powers the right to maintain communications between Peking and the sea by use of armed force and the right to station foreign garrisons at various points along railway lines. Indemnities amounting approximately to \$330,000,000 were also included in the final Protocol and were secured on the customs revenue.

A serious financial and political problem resulted from the increased foreign debt and the consequent decrease of custom revenues available for government needs. Customs revenues had formerly been adequate for government purposes. In 1918 the United

States remitted a portion of the Boxer indemnity to China, specifying that the money was to be used for the establishment of a school at Peking and for the sending of Chinese students to the United States. Payments to Germany and Austria Hungary were cancelled during the war and their rights were surrendered in the Treaty of Peace. Payments to Russia were stopped after the Bolshevik revolution, and in May, 1924, Russia agreed to remit the balance of the amount due on the understanding that the money was to be used for educational purposes. In 1924 the United States remitted the balance of the indemnity and since that time the other governments to which indemnity payments were still due followed the same course. The money is still set apart from the customs receipts, however, and does not go into the general funds of the Chinese Government, but is paid by the Customs administration directly for the purposes specified when the indemnities were remitted.

PLEDGES FOR EXTRATERRITORIAL REFORM

Meanwhile on various occasions prior to 1900 the Chinese Government had protested against continuation of extraterritoriality, foreign control over tariff rates and certain other provisions of the earlier treaties. On September 5, 1902, Great Britain signed the Mackay treaty with China, Article XII of which contained a declaration that Britain was ready to give up extraterritorial rights when the Chinese had brought the Chinese laws and legal administration to a point which Great Britain considered satisfactory. The pertinent paragraph of Article XII reads as follows:

"China having expressed a strong desire to reform her judicial system, and to bring it into accord with that of Western nations, Great Britain agrees to give every assistance to such reform, and she will also be prepared to relinquish her extraterritorial rights when she is satisfied that the state of the Chinese laws, the arrangement for their administration, and other conditions warrant her in so doing."

Substantially the same provision was included in treaties made in 1903 with Japan and with the United States. The Chinese immediately took in hand the task of drafting legal codes on European lines and of es-

* The term "Treaty Powers" is generally used to designate those who have extraterritorial privileges, and not all the countries which have treaty relations with China. The following Treaty Powers signed the Boxer Protocol: Austria-Hungary, Belgium, France, Germany, Great Britain, Italy, Japan, Netherlands, Russia, Spain, United States. Germany and Austria Hungary lost their extraterritorial privileges during the war, and Russia relinquished her rights in 1924.

The following countries are generally listed as Treaty Powers today: Belgium, Brazil, Denmark, France, Great Britain, Italy, Japan, Mexico, Netherlands, Norway, Peru, Portugal, Spain, Sweden, Switzerland, United States.

tablishing so-called modern courts. A number of these codes now have been completed and courts have been established.

JAPANESE CONCESSIONS IN MANCHURIA

The extension of Japanese influence in Manchuria followed the Russo-Japanese war of 1904-1905 when Japan secured from Russia control of the Liaotung Peninsula and a part of the Chinese Eastern Railway running northward from Port Arthur and Darien to Changchun, just north of Mukden. The Chinese on December 22, 1905, agreed to transfer these and other Russian interests to Japan and subsequently agreed to the inclusion in the Japanese South Manchurian Railway system of a railway connecting the Port Arthur-Mukden line with the Japanese railway in Korea. The right of Japan to maintain troops in the guise of railway guards in Manchuria has been a constant source of friction between China and Japan. The treaty of 1905 between the two countries provided for the withdrawal of Japanese troops when China could assure protection for foreign lives and property. China has asserted that Japan has never given her an opportunity to demonstrate her ability to protect foreign lives and interests in Manchuria. In 1925 Japan sent additional troops into Manchuria to protect her railway interests and a permanent guard is still maintained.

The establishment of the Republic at the end of 1911 did not affect the status of the various treaties between China and the foreign Powers.

In 1915 the Japanese government, taking advantage of the fact that the European Powers were engaged in war with each other, presented to China the so-called "Twenty-one Demands." These were divided into five groups. Had they been accepted in full by China, Japan would have had a controlling voice in the affairs of the Chinese Government. Under the threat of an ultimatum, China accepted the demands under the first four groups which gave Japan the extension of the lines of Port Arthur and Darien and the right to operate the South Manchurian Railway for ninety-nine years from the original dates (1896 and 1898 respectively), and certain other important

special rights in Manchuria. At the Washington Conference, 1921-1922, Japan agreed to drop group 5 which provided for Japanese precedence in the employment of advisers, securing of loans, purchase of military equipments, and other governmental affairs, and joint police administration by Japanese and Chinese in important centers in China.

Immediately after the beginning of the World War in August, 1914, Japan seized the German rights in Shangtung, the leased territory of Kiaochao (Tsingtao) and the railway from Tsingtao to Tsinan. When China entered the war on the side of the Allies in 1917, she demanded the return of these former German holdings. The demand was renewed at Versailles in 1919, and China refused to sign the peace treaty with Germany because it included a clause confirming the transfer to Japan of former German rights in China. (China signed the peace treaty with Austria and thereby became a member of the League of Nations.)

At the Versailles Peace Conference, China also put forward the demand for the early abolition of extraterritoriality, for the removal of foreign customs control, and for the early readjustment of the status of the foreign settlements in China. The Chinese demands were virtually ignored by the Powers.

AGREEMENTS RESULTING FROM WASHINGTON CONFERENCE

China had a further opportunity to present her case at the Washington Conference on the Limitation of Armaments, which met from November, 1921, to February, 1922. The principal results of the Conference which dealt with the whole question of foreign treaties with China, included:

1. A Sino-Japanese agreement whereby Japan was to return to the Chinese the former German holdings in Shantung;
2. A treaty whereby the foreign Powers having a share in the control of Chinese tariff agreed to convene a Conference in Peking on the subject of the revision of the tariff rates;
3. A resolution by the terms of which a Commission consisting of representatives of the Powers having extraterritorial rights in China and including a Chinese representative was to make an investigation of conditions and recommend the steps to be taken looking toward the abolition of extraterritoriality.

The Chinese and Japanese representatives met in Peking in the fall of 1922 and worked out a detailed agreement for the surrender by Japan of her former German holdings in Shantung. (The transfer of control of the Kiaochao leased territory was made in December, 1922, and the control of the Shantung Railway was turned over at the same time. China was to pay Japan a reasonable amount for improvements which the Japanese had made to those properties, the payment to begin within five years.)

CHINESE CUSTOMS CONFERENCE, 1925

The Customs Conference to be held in China was authorized to arrange for the immediate levying of a Customs surtax of $2\frac{1}{2}$ per cent on ordinary goods and 5 per cent on luxuries, making the total tariff charges on imports $7\frac{1}{2}$ per cent and 10 per cent respectively. The money received from these increased rates was to be used for such purposes and subject to such conditions as the Conference might decide. The intention was to work out some scheme for consolidating the unsecured domestic and foreign Chinese debts and to provide for their repayment by the use of part of the increases in the Customs revenues. Another part of the increases was to be used for making effective some scheme for the abolition of "likin."

The treaty providing for the Customs Conference was not to go into effect until it had been ratified by all nine of the signatories. The Conference was to have met in Peking in the fall of 1922, on the call of China after ratifications had been received by the American Government. France, however, failed to ratify the agreement until after China had agreed in substance to French demands relative to the form in which payment of the French Boxer indemnity was to be made (after resumption of payment at the beginning of 1923). China finally agreed to a settlement of this "gold franc" question and France ratified the Washington Conference treaty in July, 1925. The Conference met in Peking on October 26, 1925.

At the first session of the Conference, the Chinese representatives declared that they

wanted a definite commitment by the Conference on the question of tariff autonomy before any other matters were discussed. It was pointed out by the foreigners that the Conference had the right without further ratification from the home governments to proceed to the immediate application of the "Washington Conference surtaxes" and the working out of a debt-funding scheme, but that any step beyond these specific limits would require the making of a new treaty which would have to be ratified. After some discussion, the Conference formally put on record, as clauses to be included in the proposed treaty, declarations by the foreign and Chinese delegates. The foreign declaration was to the effect that the foreigners would surrender control of Chinese tariff rates upon the formal coming into effect of the Chinese tariff law, and not later than January 1, 1929. The Chinese declaration was that "likin" would be abolished by January 1, 1929. These two declarations were not made conditional on each other in any way, except as the fact that they were made at the same time implied the obligation of each party to carry out its declaration as a condition of similar action by the other party.

Almost from the beginning of the Conference it was generally recognized that considerably higher rates than those contemplated in the Washington Conference treaty would be necessary if sufficient revenue was to be available for the funding of the debts and for advances to the provinces to compensate for the abolition of "likin."

The American representatives proposed the immediate application of the Washington Conference rates and a further increase to $12\frac{1}{2}$ per cent *ad valorem* duty to be in effect until January 1, 1929. The Chinese asked for immediate application of duties ranging from $7\frac{1}{2}$ per cent to 40 per cent, classified according to the degree of luxury of the articles imported.

The Customs Conference could not come to any agreement, partly because of the disorganization of the Chinese Government and partly because of the inability of the representatives of several foreign countries to agree among themselves as to what goods were to be classified as luxuries and what as necessities and how high the rates on the two classes of goods should be. At the end

of July, 1926, the foreign delegates formally declared the adjournment of the Conference and expressed their readiness to continue the negotiations at such time as there might be a sufficiently stable government in Peking.

THE COMMISSION ON EXTRATERRITORIALITY

The Commission to study the question of extraterritoriality in China was to have begun its investigations within three months after the close of the Washington Conference (by May 6, 1922). The Chinese Government, however, requested a postponement for one year in view of the disturbed conditions of the country and subsequent postponements were suggested by the foreign Powers. The actual sittings did not commence until January 12, 1926, after being delayed almost a month because of interrupted railway communications. Sessions continued in Peking, and a tour of investigation throughout the country was made, until September 23, 1926, when the report of the Commission was signed. It was not made public, however, until November 29, 1926.*

The status of the so-called "mixed courts," particularly the Shanghai Mixed Court, has been the subject of extended diplomatic controversy. Under the treaties establishing extraterritorial rights in China defendants in cases involving foreigners were to be tried in Chinese courts, but an "assessor" of the foreign plaintiff's nationality had a right to be present. In most parts of China, with the exception of Shanghai, the Chinese courts for trial of "mixed cases" meet at irregular periods whenever cases arise. The Shanghai Mixed Court had several features which distinguished it from the others, but the point around which controversy has centered since 1911 is the degree of control exercised by the foreign Treaty Powers. At the time the Republic was established the foreign consular body took over the court without legal authority, in order that it might continue to function in the absence of any central authority. For many years the Chinese demanded that the court be returned to Chinese control.

Following the negotiations in the summer of 1926, an agreement was reached between the foreign consuls and the local Chinese authorities at Shanghai for the return of the court to the Chinese. This agreement was confirmed by both sides in September, 1926, although certain details for carrying out the agreement were left to a subsequent exchange of notes.

RUSSO-CHINESE AGREEMENT OF 1924

Meanwhile, relations with Russia had been broken off following the Bolshevik revolution.

Although the Soviet Government had asserted its readiness to reestablish relations with China as early as 1919, formal negotiations on a new treaty did not begin until the winter of 1923-24. The terms of the agreement signed between Russia and China on May 31, 1924, provided for the surrender by Russia of extraterritorial rights, concessions, etc.; for the resumption of diplomatic relations between the two countries, and for a subsequent conference to settle details of commercial relations, boundaries, the status of the Chinese Eastern Railway, the status of Mongolia, and other matters. This conference was to have met within one month after the signing of the treaty. The Russians postponed the opening of the Conference from month to month, however, until August, 1925. Within twenty-four hours of having told the principal Chinese delegate that they would not be ready to open the conference for two weeks, they suddenly announced their desire to have the sittings begin. Meanwhile, on the assurance given by the Russians, the chief Chinese delegate had left Peking. He was reached by telegraph and returned immediately, arriving in Peking just in time to meet the Russian delegates at the hour the Russians had requested. The sittings of the conference continued intermittently and have not yet been formally suspended. None of the detailed agreements to be arranged by the conference have yet been made. Meanwhile, the Soviet Government has not relinquished control over the nominally independent Mongolian Government as provided in the Treaty of 1924, but has increased its hold over that area.

* Copies of the Commission report can be secured from the State Department of the United States upon application.

**CHINESE
DISSATISFACTION**

Chinese protests against special privileges granted under the treaties began before 1900. They became more insistent after the establishment of the Republic, and Chinese representatives at every international gathering since that time have entered formal protests against the retention of what they call the infringements of Chinese sovereignty. They put their demands for the elimination of these infringements on record at the Versailles Peace Conference, repeated them at the Washington Conference, and again at the Customs Conference at Peking, and before the Extraterritoriality Commission.

Chinese opposition to the treaties turns on three main points. They object to extraterritoriality on the ground that it is a serious infringement of Chinese sovereign rights. They hold that the Chinese courts should have jurisdiction over all persons resident in Chinese territory. They claim also that with the development of the modern codes and of modern courts, the original and perhaps legitimate objections which the foreigners had to placing themselves under the old Chinese laws and courts are no longer valid.

The second Chinese objection to the present treaties turns on the question of tariff control. The Chinese maintain that for revenue purposes and also as a means of providing protection for their own "infant industries" they should have the right to fix their tariff duties as they may think best, and without the present necessity of securing the unanimous consent of some fourteen foreign Powers. They also protest against the infringement of Chinese sovereignty involved in the treaty provisions which deprive China of the right to regulate her own tariffs.

A good deal of Chinese criticism recently has arisen over the fact that the customs money is handled entirely by foreign banks, despite the fact that it properly belongs to the Chinese Government, and that there are now a number of Chinese banks which are efficiently administered. There is relatively little objection to the present system of partial foreign control of the cus-

toms administration because it is recognized that such control insures an honest administration and the freedom from misuse of the funds by corrupt Chinese officials or militarists.

The present form of control of the foreign concessions and settlements is the third important Chinese grievance. Chinese pay a large part of the taxes in all the foreign settlements and concessions, but they have no vote in the administration. The Chinese recognize that from the point of view of municipal administration, the foreign settlements are run more efficiently than the neighboring Chinese cities. But they feel they should have at least some voice in the administration, in view of the fact that the territory occupied is Chinese and the revenue is derived largely from Chinese taxpayers. Chinese object to the present arrangement, also, on the ground that the concessions frequently are used as places of refuge by corrupt officials and selfish militarists who flee there for safety as soon as they get into difficulties, and who indulge in intrigue for return to power from their places of safety in the concessions.

Besides the objections on these specific points, there is considerable feeling in China against the foreigners on the ground that in many real but perhaps intangible ways, foreigners have assumed a manner of superiority over the Chinese. In the opinion of some western observers ill-treatment of Chinese coolies by foreigners, and a tendency on the part of many of the foreigners to discriminate socially against even the best educated and most cultured Chinese, has been at least one contributing cause of the present agitation against the foreigners in China.

**POLICY OF THE
FOREIGN POWERS**

In the beginning of their official relations with China, the policy of the European Powers and of Japan was to secure from China the right to trade on conditions which the foreign Powers considered reasonable. The Powers also demanded recognition of equality with the Chinese in diplomatic relations and used force to compel the acceptance of their demands. The

United States was less directly interested in trade with China in the early years and was somewhat less aggressive than the European Powers. Since the beginning of the third quarter of the nineteenth century the United States has pursued with reasonable consistency the policy of avoiding any active aggression in China on its own part and of doing what it could to prevent further aggression by the other Powers. The surrender of the American concessions, the return of the Boxer indemnity money and the announcement of the principle of the "Open Door" was in line with this policy.

The Mackay treaty of 1902 with Great Britain and subsequent treaties with the United States and Japan marked the first step in the direction of meeting Chinese demands for the abolition of extraterritoriality. Further action, however, was not taken until the Washington Conference of 1921-22. The results of the Washington Conference were not entirely satisfactory to the Chinese and the delay in ratifying the treaties and calling the Customs Conference and the Extraterritoriality Commission, whatever the cause, tended to increase Chinese dissatisfaction.

During 1925 and 1926 internal political conditions in China became more and more unsettled. Control of the Peking Government shifted from one northern militarist to another and the influence of the Cabinet virtually ceased to exist outside the walls of Peking. In the South, however, the influence of the Southern (Kuomintang) Government increased steadily and the military campaign of Chang Kai-shek extended the authority of the Canton Government as far north as the Yangtze Valley.

Confronted by this situation Great Britain on December 18, 1926, sent a memorandum to the principal foreign Powers suggesting the early continuation of the Customs Conference and the consideration by the Powers of the question of going further than originally had been contemplated in granting China's requests. In this memorandum, published December 25, 1926, Great Britain also intimated clearly that it was seriously considering the question of

acting independently of the other Powers in dealing with China.

In the face of serious anti-foreign riots in Hankow, Sir Austen Chamberlain, British Secretary of State for Foreign Affairs, further defined the new British policy. He stated that on January 27 proposals had been submitted to both the northern and southern authorities in China to the effect that Britain is ready to:

- (1) apply Chinese law in the consular courts in China; recognize Chinese courts as competent without the presence of the British official to hear cases in which British subjects are plaintiffs;
- (2) require British subjects to pay the regular Chinese taxes, including the taxes levied under the Chinese tariff law "as and when such a law is promulgated";
- (3) enter into local arrangements with each port relative to the surrender of the concessions, while assuring to the British community some voice in municipal matters.

Sir Austen continued to the effect that these changes could be made by unilateral British action.

Synchronizing with these two moves, Great Britain ordered large reinforcements of troops to China for the protection of Shanghai and British interests. Both the Peking Government and the Canton Government protested against the sending of additional British forces and the Nationalist Foreign Minister at Wuchang on February 1 temporarily broke off negotiations with the British representative.

STATEMENT OF SECRETARY KELLOGG, JANUARY 26

Meanwhile on January 26, Secretary of State Kellogg had declared that "the Government of the United States is ready now to continue negotiations on the entire subject of the tariff and extraterritoriality, or to take up negotiations on behalf on the United States alone." This statement of Secretary Kellogg went further than any previous American pronouncement in indicating a desire to consider the whole question of American relations with China. At the same time the United States dispatched destroyers to Hawaii to have them ready in case of emergency.

Steps taken by the Japanese Government indicate that Japan also has reached the

point where she is seriously contemplating the complete revision of her treaty relations with China.

The attitude of the principal foreign Powers may be summed up briefly as follows:

1. The Powers are ready to make far-reaching changes in their treaties with China;
2. They are finding it difficult to discover a *modus vivendi* for negotiating with the Chinese in the absence of the a single government in that country;
3. In the meantime they are prepared to use armed force if necessary to protect foreign lives in China.

While the future policy of the United States has not been further defined since Secretary Kellogg's pronouncement of January 26, a resolution introduced January 4 by Congressman Stephen G. Porter, Chairman of the Foreign Affairs Committee of the House of Representatives, is now under consideration. This resolution requests the President to start negotiations with China for the revision of the old treaties and for the drafting of new ones, to reconsider the question of extraterritoriality, the Chinese tariff and such other matters in

dispute between China and the United States in order to put the relations between the two governments on a basis of complete mutual equity and reciprocity.

Hearings of the Committee on this resolution were held beginning January 20. On January 25 the Committee voted to report the resolution back to the House with the recommendation that it be passed. In the hearings and in the report of the resolution to the House emphasis was laid on the point that the United States Government should take independent action if necessary in proposing new treaties with China.

Some observers in close touch with the situation in China have pointed out that it might be possible to secure Chinese representatives from both the North and the South who would be in a position to negotiate with the United States if the request for such negotiations were specifically made. These observers point out further that some such action on the part of the United States would place this country in a favorable position and would put the responsibility for any further delay in the negotiation of new treaties up to the Chinese.

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ANNEX I

TABLE OF PRINCIPAL FOREIGN INTERESTS IN CHINA

	UNITED STATES	GREAT BRITAIN	JAPAN	FRANCE	ITALY
Population, 1924	8,817 12,000 (State Dept. estimate)	14,701	198,206	2,715	681
Value of Trade, 1924	\$224,475,000	\$501,675,000*	\$358,725,000	\$41,700,000	\$11,400,000
Foreign Possessions	none	Hongkong ceded by Nanking Treaty, Aug., 1842. Area, 32 sq. m. Kowloon, old territory, ceded 1860	none	none	none
Leased Territories	none	Wei-hai-wei, leased July 1, 1898 Kowloon, new territory, leased 1898 for 99 yrs.	Kwantung, leased to Russia March 27, 1898; transferred to Japan in 1905; lease extended to 99 yrs. from original date. Area, 1,300 sq. m.	Kwangchowwan, leased Feb. 19, 1900 for 99 yrs. Area, 200 sq. m.	none
Concessions†	none	Amoy (1851-52) Canton (1861) Hankow (1861) Kuikiang (1861) Tientsin (1861) Chinkiang (1861) Newchwang (1861)	Amoy (1900) Hankow (1898) Tientsin Hangchow (1895) Soochow (1895)	Canton (1861) Hankow (1886) Tientsin (1861)	Tientsin
Foreign Troops and Legation Guards (Permanently stationed in China.)	1,396 officers and men Stationed at Peking and Tientsin	1,218 officers and men Stationed at Peking and Tientsin	940 officers and men (Japanese troops in Manchuria number approximately 3,500)	1,708 officers and men Stationed at Peking and Tientsin	449 officers and men Stationed at Peking and Tientsin
Foreign owned railways.	none	Kowloon-Canton Railway (British Section, 29 m.)	South Manchurian Railway, 672 m.	Yunnan Railway 288 m.	none
Investments: Commercial Missionary	\$70,000,000 \$80,000,000	Figures not available	Figures not available	Figures not available	Figures not available

* Including trade with Hongkong.

† Does not include Shanghai, an international settlement administered by the principal Treaty Powers.

